

## **FIVE YEAR FORECAST**

**October 2018**

**WHAT'S HAPPENED SINCE THE MAY 2018 FORECAST?**

**Terrah Floyd**

**Treasurer/CFO**

Previous Five Year Forecast

May Update

Springboro Community City Schools  
Schedule Of Revenue, Expenditures and Changes In Fund Balances  
Actual and Forecasted Operating Fund

|  | ACTUAL             |                   |                   | FORECASTED        |                    |                    |                    |                    |
|--|--------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
|  | Fiscal Year 2015   | Fiscal Year 2016  | Fiscal Year 2017  | Fiscal Year 2018  | Fiscal Year 2019   | Fiscal Year 2020   | Fiscal Year 2021   | Fiscal Year 2022   |
| <b>Revenue:</b>  |                    |                   |                   |                   |                    |                    |                    |                    |
| 1010 - General Property Tax (Real Estate)                    | 23,273,806         | 24,311,920        | 25,387,526        | 25,980,873        | 25,651,833         | 27,292,374         | 27,871,846         | 29,195,670         |
| 1020 - Public Utility Personal Property                      | 3,750,738          | 3,698,924         | 4,243,735         | 5,511,700         | 5,297,630          | 5,560,968          | 5,636,618          | 5,690,459          |
| 1030 - Income Tax  | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 1035 - Unrestricted Grants-in-Aid                            | 13,400,138         | 14,829,983        | 15,833,702        | 16,253,278        | 16,691,794         | 16,693,705         | 16,695,758         | 16,694,040         |
| 1040 - Restricted Grants-in-Aid                              | 327,820            | 5,644             | 8,297             | 8,755             | 8,865              | 9,046              | 9,080              | 9,065              |
| 1045 - Restricted Federal Grants-in-Aid - SFSF               | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 1050 - Property Tax Allocation                               | 3,472,907          | 3,568,448         | 3,619,250         | 3,668,028         | 3,799,681          | 3,968,580          | 4,053,135          | 4,256,381          |
| 1060 - All Other Operating Revenues                          | 1,084,814          | 1,189,726         | 1,084,022         | 1,488,354         | 1,511,461          | 1,535,031          | 1,559,071          | 1,583,593          |
| <b>1070 - Total Revenue</b>                                  | <b>45,310,223</b>  | <b>47,604,645</b> | <b>50,176,532</b> | <b>52,910,989</b> | <b>52,961,264</b>  | <b>55,059,704</b>  | <b>55,825,509</b>  | <b>57,429,208</b>  |
| <b>Other Financing Sources:</b>                              |                    |                   |                   |                   |                    |                    |                    |                    |
| 2.010 - Proceeds from Sale of Notes                          | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 2.020 - State Emergency Loans and Advancements               | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 2.040 - Operating Transfers-In                               | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 2.050 - Advances-In  | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 2.060 - All Other Financing Sources                          | 110,544            | 59,702            | 50,478            | 165,926           | 10,000             | 10,000             | 10,000             | 10,000             |
| <b>2.070 - Total Other Financing Sources</b>                 | <b>110,544</b>     | <b>59,702</b>     | <b>50,478</b>     | <b>165,926</b>    | <b>10,000</b>      | <b>10,000</b>      | <b>10,000</b>      | <b>10,000</b>      |
| <b>2.080 - Total Revenues and Other Financing Sources</b>    | <b>45,420,767</b>  | <b>47,664,347</b> | <b>50,227,010</b> | <b>53,076,915</b> | <b>52,971,264</b>  | <b>55,069,704</b>  | <b>55,835,509</b>  | <b>57,439,208</b>  |
| <b>Expenditures:</b>   |                    |                   |                   |                   |                    |                    |                    |                    |
| 3.010 - Personnel Services                                   | 25,433,907         | 25,994,569        | 27,425,509        | 29,051,240        | 30,154,756         | 31,290,399         | 32,468,811         | 33,691,603         |
| 3.020 - Employees' Retirement/Insurance Benefits             | 9,413,623          | 9,567,447         | 9,389,402         | 10,213,348        | 10,744,581         | 11,360,214         | 11,969,361         | 12,619,147         |
| 3.030 - Purchased Services                                   | 7,296,366          | 6,908,036         | 8,041,312         | 8,028,986         | 8,477,439          | 8,578,048          | 8,779,730          | 8,986,632          |
| 3.040 - Supplies and Materials                               | 2,370,193          | 2,087,422         | 1,973,745         | 2,188,637         | 2,159,328          | 2,667,715          | 2,404,271          | 2,396,557          |
| 3.050 - Capital Outlay                                       | 1,701,648          | 859,285           | 1,064,672         | 1,029,000         | 1,354,140          | 1,150,423          | 1,167,031          | 1,183,972          |
| 3.060 - Intergovernmental                                    | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| <b>Debt Service:</b>   |                    |                   |                   |                   |                    |                    |                    |                    |
| 4.010 - Principal-All Years                                  | 430,000            | 625,000           | 639,000           | -                 | -                  | -                  | -                  | -                  |
| 4.020 - Principal - Notes                                    | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 4.030 - Principal - State Loans                              | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 4.040 - Principal - State Advances                           | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 4.050 - Principal - HB264 Loan                               | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 4.055 - Principal - Other                                    | -                  | -                 | -                 | 530,000           | 326,000            | 337,000            | 342,000            | 291,000            |
| 4.060 - Interest and Fiscal Charges                          | 211,470            | 296,225           | 274,124           | 246,802           | 241,701            | 224,000            | 211,758            | 198,689            |
| 4.300 - Other Objects  | 601,744            | 605,890           | 612,947           | 714,076           | 629,542            | 635,987            | 642,503            | 649,092            |
| <b>4.500 - Total Expenditures</b>                            | <b>47,458,951</b>  | <b>46,943,874</b> | <b>49,420,711</b> | <b>52,002,091</b> | <b>54,087,487</b>  | <b>56,243,787</b>  | <b>57,985,466</b>  | <b>60,016,692</b>  |
| <b>Other Financing Uses</b>                                  |                    |                   |                   |                   |                    |                    |                    |                    |
| 5.010 - Operating Transfers-Out                              | 376,242            | 939,213           | 371,840           | -                 | -                  | -                  | -                  | -                  |
| 5.020 - Advances-Out   | -                  | 3,720             | -                 | -                 | -                  | -                  | -                  | -                  |
| 5.030 - All Other Financing Uses                             | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| <b>5.040 - Total Other Financing Uses</b>                    | <b>376,242</b>     | <b>942,933</b>    | <b>371,840</b>    | <b>-</b>          | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| <b>5.050 - Total Expenditures and Other Financing Uses</b>   | <b>47,835,193</b>  | <b>47,886,807</b> | <b>49,792,551</b> | <b>52,002,091</b> | <b>54,087,487</b>  | <b>56,243,787</b>  | <b>57,985,466</b>  | <b>60,016,692</b>  |
| <b>Excess of Rev &amp; Other Financing Uses Over (Under)</b> |                    |                   |                   |                   |                    |                    |                    |                    |
| <b>6.010 - Expenditures and Other Financing Uses</b>         | <b>(2,414,426)</b> | <b>(222,460)</b>  | <b>434,459</b>    | <b>1,074,824</b>  | <b>(1,116,223)</b> | <b>(1,174,083)</b> | <b>(2,149,957)</b> | <b>(2,577,484)</b> |
| <b>Cash Balance July 1 - Excluding Proposed Renewal</b>      |                    |                   |                   |                   |                    |                    |                    |                    |
| <b>7.010 - Replacement and New Levies</b>                    | <b>10,782,864</b>  | <b>8,368,438</b>  | <b>8,145,978</b>  | <b>8,580,437</b>  | <b>9,655,261</b>   | <b>8,539,038</b>   | <b>7,364,955</b>   | <b>5,214,998</b>   |
| <b>7.020 - Cash Balance June 30</b>                          | <b>8,368,438</b>   | <b>8,145,978</b>  | <b>8,580,437</b>  | <b>9,655,261</b>  | <b>8,539,038</b>   | <b>7,364,955</b>   | <b>5,214,998</b>   | <b>2,637,514</b>   |
| <b>8.010 - Estimated Encumbrances June 30</b>                | <b>-</b>           | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| <b>Reservations of Fund Balance:</b>                         |                    |                   |                   |                   |                    |                    |                    |                    |
| 9.010 - Textbooks and Instructional Materials                | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 9.020 - Capital Improvements                                 | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 9.030 - Budget Reserve                                       | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 9.040 - DPIA   | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 9.050 - Debt Service   | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 9.060 - Property Tax Advances                                | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 9.070 - Bus Purchases  | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| 9.080 - Subtotal   | -                  | -                 | -                 | -                 | -                  | -                  | -                  | -                  |
| <b>Fund Balance June 30 for Certification</b>                |                    |                   |                   |                   |                    |                    |                    |                    |
| <b>10.010 - of Appropriations</b>                            | <b>8,368,438</b>   | <b>8,145,978</b>  | <b>8,580,437</b>  | <b>9,655,261</b>  | <b>8,539,038</b>   | <b>7,364,955</b>   | <b>5,214,998</b>   | <b>2,637,514</b>   |

## Major Changes in Revenue:

**Real Estate Taxes** The district is currently undergoing a triennial update. The forecast has estimated a 13.6% increase in real estate property values based off discussions with the county auditor. As a result, the district will reach the 20 mill floor minimum. Due to this growth in property values, and due to HB920, the district will experience some revenue growth starting in FY19 which has been modeled since May 2018. In December of 2018, the update will be finalized. If the districts increase is higher than 13.6%, then the May 2019 forecast will be adjusted to account for the increase in real estate tax revenue. The tax certification for collections is figured at 97% by the county auditor. The amount placed in the forecast is based off collection history over the previous 10 years. The forecast assumes some delinquencies will happen, however Springboro historically collects at about 99% and the forecast models that accordingly. For the first collection of FY19, delinquencies were even lower than modeled at closer to 100% adding about 28k in revenue.

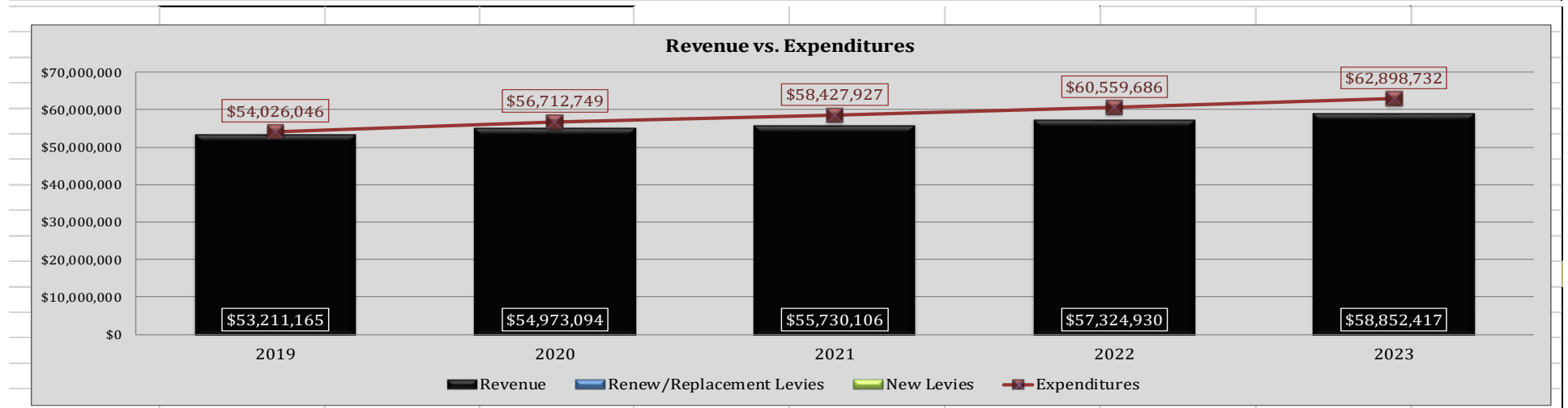
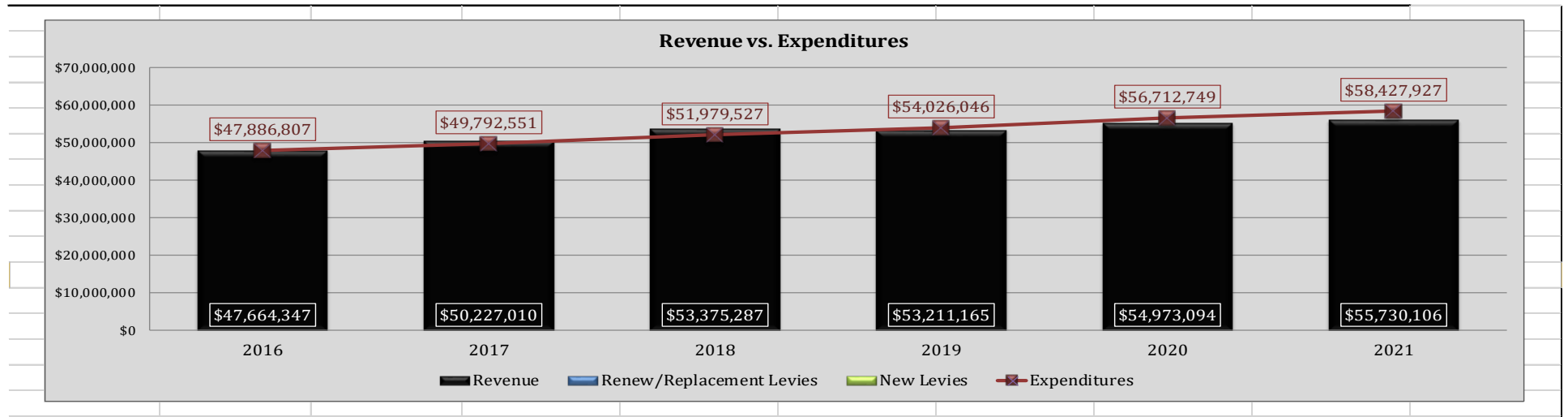
**Public Utility Personal Property** The tax equalization department values pipelines based off 88% of true value according to the Ohio Department of Taxation. With the large increase in FY18, public utilities are projected to remain fairly consistent. In FY19 the first settlement showed a slight increase of approximately \$28k. Similar to the real estate taxes, this could also be from timing or delinquent payments paid during the first collection. Once the triennial update is finalized in December, we will know the complete effect the update will have on all taxes.

**Unrestricted Grants-in-Aid – State Funding** the assumptions for the October forecast remains the same as in May of 2018. State funding is projected at grow 3% from FY18 to FY19. After Fy19 the district is projected to have no unfunded formula going into FY20. From FY20 to FY23, the district will then move to the guarantee which is a no growth status. With a new Governor and a new biennium budget that will be rolled out next year, the forecast has used the FY19 funding amount for FY20 and beyond. This may be updated in May of 2019 if the new biennium budget looks to be heading in a different direction.

**Property Tax Allocation** The property tax allocation are the rollback and homestead credits the state reimburses the district for a resident who is a property owner (10%), and (2.5%) if the owner occupies the residence. These state credits are reduced from local taxpayer's tax bills, and reimbursed to the district by the state. In the 2013 budget bill, these credits were eliminated for all new money levies after 2013. Taxpayers will still receive these credits on all existing levies passed prior to 2013; any substitute levy passed is not considered new money and will also continue

to receive these tax credits. These amounts are increasing in the forecast similarly to the property tax line due to the 13.6% anticipated increase for the triennial update, and returning to the 20 mill floor.

**All other Operating Revenue** This line represents all other revenue not specified above including interest off investments, school fees, excess cost tuition, and miscellaneous revenue. This has been adjusted slightly to reflect what is occurring. There are many factors that cause this line to vary slightly depending on excess costs for foster placed children, and miscellaneous revenue from outside sources. We received a premium refund of \$110k from the bureau of workers compensation in July that was not expected. This increased the other financing sources line of the forecast.



## Expenditure Changes May to October 2018

**Personnel** Personal costs in May 2018 incorporated a step and 1% for staffing changes for FY19 – FY22. The October 2018 Forecast reflects the new negotiated agreements between the BOE and our certified and classified unions. These agreements are for FY19, and FY20, with a salary and medical benefits reopener in FY21. The certified staff will receive a step and 2% for FY19, and FY20, and the classified staff will receive a step and 2.25% for FY19, and FY20. The two year increase added \$702k in costs. However, attrition from the prior year, leave of absences, resignations, less people moving laterally for education increases all attributed to the total anticipated increase over the two years being approximately \$553k. A step and 1% for staffing changes has been allocated in the forecast for FY21 to FY23.

**Benefits** This line represents the boards' portion of retirement, Medicare, medical, dental, vision, and life insurance plans. The May forecast had the anticipated increase for Health Insurance that will occur in January 2019 of 10%. The projections for FY20 thru FY23 have an 8% yearly increase anticipated for medical insurance costs. The forecast reflects the increase in Retirement, and Medicare costs per statute due to the negotiated agreements reached for certified and classified staff. For FY19, costs reflect the \$55,000 for tuition reimbursement that has been part of the negotiated agreement for several years, with the first payout year being FY19. For FY19 beginning in January of 2019, the H.S.A. board portion toward employee deductibles is changing from 45/55 to 50/50 per the negotiated agreement. The forecast has also anticipated a \$100,000 decrease in insurance costs due to insurance incentives for employees to move to alternate plans, or off district insurance, in an attempt to lower medical insurance costs. With the anticipated increases and reductions, the total increase from May 2018 to October 2018, with the anticipated changes in benefit costs is \$95k. If the 100k in projected savings from insurance stipends doesn't occur, the May forecast will be adjusted.

**Purchased Services** The purchased service line makes up approximately 15% of total general fund expenditures, and fluctuates yearly mainly due to special education costs, and foundation expenses. Other purchased services such as sub costs, professional development, utility costs, and fuel can also vary slightly. The October forecast has accounted for \$20k in reductions in community schools costs, while anticipating an increase of \$25k per year in CCP costs. Additionally, the forecast has reflected a reduction of 106k in costs paid to the ESC which are now paid through our part B Special Education grant. The forecast also reflects a laddered decrease in our social communication classroom costs. The agreement with the ESC ends in FY21. Utilities continue to create savings from the energy conservation project that was completed in 2014. All other purchased services remain stable from the May forecast to October, with an overall decrease from the May of \$157k.

**Supplies** – Supplies have remained unchanged from the May forecast to October. General supplies remain under budget even with anticipated increases for additional resources for student learning where needed. Each department and building is given a budget to purchase day to day supplies and materials including copy paper, pens, envelopes, teacher and student materials.

**Textbook assumptions:**

FY19 \$330,000 - \$130,000 was a carryover requested from FY18.

FY20 \$800,000 - online textbook subscription renewal

FY21 \$500,000 – online textbook subscription renewal

FY21 \$455,000 – textbook allocation

FY22 \$464,000 – textbook allocation

**Equipment** – The forecast has set aside \$400,000 per year for capital needs. The forecast has been adjusted to allow for an additional \$100,000 for FY19 and FY20 to address some urgent necessities. FY21 thru FY23 remains at the \$400,000 level for capital needs. There still remains a significant list of identified unmet needs that still remain outside of this allotment. All other equipment purchases outside of maintenance are down by \$80k, making the net increase for FY19 under \$20,000.

**Debt/Other Objects** – There are no changes from the May forecast in this category. Debt and interest payments are in the forecast and not anticipated to change. Auditor/Treasurer fees are anticipated in other objects with slight increases built in.

**Athletics** –

FY18 Admin Salaries and benefits, athletic supplementals/transportation costs, custodial costs salary and benefits = \$677,891

Board Contribution (Previous Transfer) = \$365,000, PTP fees \$328,030 = \$693,030.

**General Fund Savings = \$15,139.**

## **Overall Takeaways**

Revenue has increase by 240k from the May forecast to October. As stated above, the main reasons for the increase were due to property taxes, public utility taxes, and the rollback and homestead credits being paid at nearly 100%. The forecast has a 13.6% increase for the triennial update that will be completed by December. The May forecast will reflect the final increase and will be adjusted accordingly.

The forecast also reflects the increases from negotiations for our certified and classified staff. The forecast also reflects the addition of \$100,000 for FY19 and FY20 for immediate capital needs. However with cost reductions in other areas, the forecast from May to October for FY19 has a net decrease of 61k.

## **Capital Unmet Needs**

Window replacement at HS - \$500K

Purchase of additional/replacement vehicles - \$80K - work van, box truck, pick-up truck

Purchase of additional/replacement grounds equipment - \$40K - mower, gator, batwing replacement/reconfiguration

Additional Parking Lots for High School and Dennis - \$300K (within the next year)

Additional Paving to relieve drop-off and pick-up at Intermediate School - \$200K

Upgrade/update security cameras districtwide - \$200K

Complete paving existing lots by 2021 - \$600K

Possible additions to the buildings should there be an increase in building permits - \$250K per room

EduCare building build-out - \$2M

Update/upgrade Auditorium sound system, stage lights and control room – 300K (some work done this year 100K)

EduCare HVAC upgrades - \$100K

Bleacher at JH - \$100K (was on schedule for FY17 but was pushed off)

Furniture replacement 200K

carpet/flooring replacement 300K

New Buses cost depending on expectations



| END OF YEAR CASH BALANCE RESERVE POLICY      | FY19             | FY20              | FY21              | FY22              | FY23              |
|--|------------------|-------------------|-------------------|-------------------|-------------------|
| BEGINNING BALANCE                            | \$ 9,976,197.00  | \$ 9,161,316.00   | \$ 7,421,661.00   | \$ 4,723,840.00   | \$ 1,489,084.00   |
| REVENUE                                      | \$ 53,211,165.00 | \$ 54,973,094.00  | \$ 55,730,106.00  | \$ 57,324,930.00  | \$ 58,852,417.00  |
|  |                  |                   | \$ -              | \$ -              | \$ -              |
| EXPENDITURES                                 | \$ 54,026,046.00 | \$ 56,712,749.00  | \$ 58,427,927.00  | \$ 60,559,686.00  | \$ 62,898,732.00  |
| EXCESS OF REVENUE OVER OR UNDER EXPENDITURES | \$ (814,881.00)  | \$ (1,739,655.00) | \$ (2,697,821.00) | \$ (3,234,756.00) | \$ (4,046,315.00) |
| CASH BALANCE AS OF JUNE 30TH                 | \$ 9,161,316.00  | \$ 7,421,661.00   | \$ 4,723,840.00   | \$ 1,489,084.00   | \$ (2,557,231.00) |
| <b>OPTIONS</b>                               |                  |                   |                   |                   |                   |
| DAYS OF TRUE CASH ON HAND TO OPERATE         | 62               | 48                | 30                | 9                 | -15               |
| 30 DAYS CASH ON HAND                         | \$ 4,440,496.93  | \$ 4,661,321.84   | \$ 4,802,295.37   | \$ 4,977,508.44   | \$ 5,169,758.79   |
| 60 DAYS CASH ON HAND                         | \$ 8,880,993.86  | \$ 9,322,643.67   | \$ 9,604,590.74   | \$ 9,955,016.88   | \$ 10,339,517.59  |
| CASH BALANCE AS PERCENTAGE OF EXPENDITURES   | 16.96%           | 13.09%            | 8.08%             | 2.46%             | -4.07%            |
| 10% OF YEARLY EXPENDITURES                   | \$ 5,402,604.60  | \$ 5,671,274.90   | \$ 5,842,792.70   | \$ 6,055,968.60   | \$ 6,289,873.20   |

Future outlook still shows revenue shortfalls in each fiscal year from FY19-FY23.

New money will be needed within the forecast period. Cash flows after fiscal year-end of FY20 will be below the cash balance reserve trigger of 10% of yearly expenditures. After FY20, we will not have an adequate revenue stream to meet expenditures and may require short-term borrowing to meet obligations.

